

Message Text

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12

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00

SSO-00 USIE-00 INRE-00 PM-03 H-02 INR-07 L-02 NSC-05

PA-02 RSC-01 PRS-01 SP-02 SS-15 FEA-01 AEC-07 AID-05

CEA-01 CIEP-02 COME-00 EB-07 FPC-01 INT-05 OMB-01

SAM-01 OES-05 STR-04 TRSE-00 FRB-01 XMB-04 OPIC-06

LAB-04 SIL-01 IO-10 AGR-10 /139 W

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AMEMBASSY LONDON

AMEMBASSY PARIS

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SUBJ: SAUDI ARABIAN PETROLEUM MINISTER, YAMANI COMMENTS

ON OIL, FINANCE AND MIDDLE EAST POLITICS

SHEIK AHMED ZAKI YAMANI, SAUDI MINISTER OF PETROLEUM AND
NATURAL RESOURCES, DELIVERED ADDRESS BEFORE PRESTIGIOUS
ZURCHER VOLKSWIRTSCHAFTLICHE GESELLSCHAFT ON DECEMBER 11
EXPRESSING HIS VIEWS ON THE OUTLOOK FOR THE OIL INDUSTRY,
THE FINANCIAL PROBLEMS CREATED BY THE NEW OIL PRICE
SITUATION AND RELATED POLITICAL QUESTIONS. YAMANI'S
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PRINCIPLE MESSAGE WAS TO URGE THE CONVENING OF A

MEETING BETWEEN PRODUCER AND CONSUMER COUNTRIES, AS PROPOSED BY FRANCE AND SAUDI ARABIA, AT WHICH THE ENTIRE RANGE OF ISSUES NOW BEFORE THE TWO GROUPS COULD BE DISCUSSED AND RESOLVED. WE WILL POUCH TEXT OF YAMANI'S ADDRESS TO EUR/CE AS SOON AS COPIES BECOME AVAILABLE. MEANWHILE, THE FOLLOWING ARE SOME OF THE MAIN POINTS MADE IN THE TALK AND IN Q AND A PERIOD WHICH FOLLOWED:

-- SAUDI ARABIA IS FIRMLY ANTI-COMMUNIST AND FIRMLY COMMITTED TO THE WEST. IT WOULD NOT FEEL SAFE IN A WORLD SUFFERING FROM ECONOMIC ILLS BROUGHT ABOUT BY OIL PRICES OR ANY OTHER CAUSE. BOTH ECONOMICALLY AND POLITICALLY THIS WOULD BE DISASTROUS. THEREFORE, SAUDI ARABIA WILL CONTINUE TO FIGHT HARD FOR SOME REDUCTION IN OIL PRICE AND COOPERATE FULLY IN EFFORTS TO MANAGE STRAINS ON INTERNATIONAL MONETARY SYSTEM RESULTING FROM RECENT PRICE INCREASES.

-- ROLE OF MAJOR OIL COMPANIES HAS FUNDAMENTALLY CHANGED SINCE OCTOBER 1973. HENCEFORTH, COMPANIES WILL HAVE LITTLE CONTROL OVER PRICES OR ANY OTHER BASIC POLICIES OF THE INDUSTRY. IF COMPANIES ARE ABLE TO ADJUST TO NEW ROLE MAINLY INVOLVING SUPPLYING TECHNOLOGICAL, MARKETING AND MANAGEMENT KNOWHOW, THEY WILL STILL BE ABLE TO OPERATE AS PROFITABLE ENTERPRISES OVER THE LONG TERM.

-- ONE RESULT OF RESTRUCTURING OF INDUSTRY WILL BE INCREASED PARTICIPATION BY PRODUCER COUNTRIES IN DOWNSTREAM ACTIVITIES. AS THESE ACTIVITIES BECOME MORE PROFITABLE, PRODUCING COUNTRIES WILL MAKE NECESSARY INVESTMENTS TO SHARE IN THE PROFITS.

-- SUPPLY AND DEMAND WILL BE ULTIMATE DETERMINATION OF PRICE LEVEL. CONSERVATION EFFORTS BY CONSUMER MAY DEPRESS DEMAND BUT POTENTIAL IS LIMITED AND, AS PRACTICAL MATTER, IT IS UNLIKELY THAT CONSUMER ACTIONS WILL HAVE MUCH IMPACT ON PRICE.

-- SURPLUS FUNDS NOW BEING ACCUMULATED BY PRODUCER COUNTRIES SHOULD NOT REMAIN IDLE BUT RATHER SHOULD BE CHanneled INTO HEALTHY INVESTMENTS IN PRODUCER
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COUNTRIES, IN LESS DEVELOPED COUNTRIES AND IN THE INDUSTRIAL COUNTRIES. IT IS IN THE INTEREST OF CONSUMER COUNTRIES TO PROVIDE INVESTMENT OUTLETS. UNILATERAL MEASURES TO RESTRICT INVESTMENT OPPORTUNITIES WOULD BE ILL ADVISED.

--BEST WAY TO APPROACH PROBLEMS WORRYING TRADITIONAL FINANCIAL CENTERS AND CONSUMERS AND PRODUCERS ALIKE WOULD

BE TO ARRANGE A MEETING OF PRODUCER AND CONSUMERS,
ALONG LINES SUGGESTED BY FRANCE, TO IDENTIFY COMMON
INTERESTS, TO STUDY PRICE OF OIL AND OTHER RAW MATERIALS
AND PRODUCTS, TO EXAMINE WHAT SHOULD BE DONE WITH SURPLUS
FUNDS AND TO LOOK AS WELL AT OTHER WORLD ECONOMIC PROBLEMS
SUCH AS INFLATION, FOOD SHORTAGES ETC.

--(IN REPLY TO REUTERS CORRESPONDENT) WHETHER OR NOT
STERLING IS USED AS A MEASURE OF PAYMENT FOR OIL SHOULD
HAVE NO IMPACT ON THE VALUE OF THE POUND. WHAT IS IMPORTANT
IN THIS RESPECT IS SAUDI ARABIAN WILLINGNESS TO CONTINUE TO
KEEP FUNDS AND OTHER INVESTMENTS IN STERLING AND TO CONTINUE
TO MAKE NEW DEPOSITS AND INVESTMENTS (YAMANI GAVE NO INDICATION
OF INTENTIONS IN THIS RESPECT).

--SAUDI ARABIAN INTENSELY DISLIKES USING OIL AS A POTENTIAL
WEAPON AND HAS RESISTED THE IDEA IN THE PAST. SAUDIS
ALSO HAVE NO BILATERAL DISPUTES WITH ANY WESTERN COUNTRY.
MAJOR POLITICAL CONCERN IS OUTSTANDING PROBLEM OF PALESTINE
AND ISRAELI EXPANSIONIST POLICIES. IF THESE ARE NOT
RESOLVED ALONG LINES PROVIDED IN 1967 SECURITY COUNCIL
RESOLUTION, ANOTHER WAR WILL VERY LIKELY BREAK OUT IN THE
MIDDLE EAST IN WHICH CASE IT IS PROBABLE THAT AN OIL
EMBARGO WOULD AGAIN BE IMPOSED. SAUDI ARABIA PREFERS

TO USE OIL AS MEANS OF COOPERATION NOT CONFRONTATION.
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